BUDGET IMPLEMENTATION & MANAGEMENT POLICY

BREEDE VALLEY

Municipality Munisipaliteit U Masipala wase

WORCESTER ▾ RAWSONVILLE ▾ DE DOORNS ▾ TOUWS RIVER

2016/ 2017

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1. DEFINITIONS

"accounting Officer"- means the Municipal Manager; a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"allocation", means a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution; an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution; an allocation of money to a municipality in terms of a provincial budget; or any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"approved budget," means an annual budget-

(a) approved by a municipal council, or

(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or

(c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"chief financial officer" means a person designated in terms of section 80(2) (a) of the MFMA;

"councillor" means a member of a municipal council;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"local community" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"long-term debt" means debt repayable over a period exceeding one year;

"executive mayor" means the councilor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or ***"council"*** means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipality"-

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

(a) an employee of a municipality or municipal entity;

(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"quarter" means any of the following periods in a financial year:

(a) 1 July to 30 September;

(b) 1 October to 31 December;

(c) 1 January to 31 March; or

(d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

(a) projections for each month of-

  (i) revenue to be collected, by source; and

  (ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter; and

(c) any other matters that may be prescribed, and includes any revisions of such plan by the executive mayor in terms of section 54(l) (c) of the MFMA;

2. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year.

According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background.

The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualization and the operationalization of the budget must be located within the national government's policy framework.

3. OBJECTIVE

The objective of the budget policy is to set out:

a) The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget
b) The responsibilities of the executive mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
c) To establish and maintain procedures to ensure adherence to Breede Valley Municipality's Integrated Development Plan (IDP) review and budget processes.

4. BUDGET PREPARATION PROCESS

4.1 Budget Steering Committee

a) The mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.
b) The steering committee must consist of at least the following persons:
   i. the councilor responsible for financial matters;
   ii. the municipal manager;
   iii. the chief financial officer;
   iv. the senior managers responsible for at least the three largest votes in the municipality;
   v. the manager responsible for budgeting;
   vi. the manager responsible for planning; and
   vii. any technical experts on infrastructure.

4.1 Roles and responsibilities

4.1.1 Executive Mayor

a) As provided in Section 21(1) of the MFMA, the Mayor is responsible for:
   i. Co-ordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan ("IDP") and budget related-policies;
   ii. Tabling in the council a time schedule outlining key deadlines.

b) In addition, as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor is required to:

   i. Take into account the Municipality's IDP;
   ii. Take all reasonable steps to ensure that the Municipality revises the IDP;
   iii. Take into account the national budget, the provincial budget, the national government's fiscal and macro-economic policy, the Annual Division of Revenue Act and any agreements reached in the budget forum;

iv. Consult the relevant district municipality, if applicable, and local municipalities within the district, the provincial treasury, and when requested, the national treasury, and any national organs of state as may be prescribed;

v. Provide on request information to the National Treasury and other organs of state and other municipalities affected by the budget.

c) Pursuant to Section 52 of the MFMA the mayor must:

i. provide general political guidance over the fiscal and financial affairs of the municipality:

ii. in providing such general political guidance. may monitor and. to the extent provided in the MFMA, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;

iii. must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

iv. must within 30 days of the end of each quarter. submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

v. must exercise the other powers and perform the other duties assigned to the mayor in terms of the MFMA or delegated by the council to the mayor.

d) As Required by Section 53 of the MFMA, the mayor must:

i. provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;

ii. co-ordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and

iii. take all reasonable steps to ensure that:

a. the municipality approves its annual budget before the start of the budget year;

b. the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and

c. the annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act, for the municipal manager and all senior managers comply with the MFMA and in particular, the provisions of Section 53(1)(c)(iii) of the MFMA;

iv. promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements referred to above; and

v. ensure-

a. that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter. as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan: and

b. that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

4.1.2 Accounting Officer

a) The Accounting Officer shall provide technical and administrative support to the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.

b) The Accounting Officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget.

c) The Accounting Officer shall delegate to the Chief Financial Officer all such powers as may be necessary for the Chief Financial Officer to prepare the budgets.

4.1.3 Chief Financial Officer

a) The Chief Financial Officer shall provide technical and administrative support to the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.

b) The Chief Financial Officer shall be responsible for preparing the budgets, as delegated by the Accounting Officer.

c) The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determine by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

4.1.4 Directors directly accountable to the Accounting Officer

a) Directors shall provide technical and administrative support to the Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as the consultative process and the furnishing of information.

4.2 Formulation of the budget

a) The Chief Financial Officer shall draft the budget time schedule as required by Section 21 (1) (b) of the MFMA, for the ensuing financial year for the Council's approval.
b) Such time schedule shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act and Treasury guidelines, for the submission of all the budget-related documentation to the Executive Mayor, Executive Committee and Council.
c) The Executive Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
d) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies
e) The budget must be in the format prescribed by National Treasury.

4.3 Public participation process

a) Immediately after the draft resolutions of the annual budget is tabled in a municipal council, the Accounting Officer of the municipality must— in accordance with Chapter 4 of the Municipal Systems Act—
   i. make public the annual budget and the documents referred to in section 17(3); and
   ii. invite the local community to submit representations in connection with the budget; and
   iii. submit the annual budget—(draft budget)
   iv) in both printed and electronic formats to the National Treasury and the relevant provincial treasury as prescribed by National Treasury ; and
   v) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

b) When the annual budget has been tabled, the municipal council must consider any views of—
   i. the local community; and
   ii. the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

c) The Municipal Manager must also make public any information that the municipal council considers appropriate to facilitate the budget consultation process, including:
   i. Summaries of the annual budget and supporting documents in alternate languages predominant in the community; and
   ii. Information relevant to each ward in the municipality
   iii. All the information contemplated in sub-regulation (c) must cover:
   iv. The relevant financial and service delivery implications of the annual budget; and
   v. At least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.

d) When submitting the annual budget to the National Treasury and the relevant provincial treasury, the municipal manager must also submit to National Treasury and the relevant provincial treasury, both in printed and electronic form -
   i. The supporting budget documentation as tabled in the municipal council;
   ii. The draft Service Delivery and Budget Implementation Plan (SDBIP); and
   iii. Any other information as may be required by National Treasury.

e) The Municipal Manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to:
   i. Any other municipality affected by the annual budget within ten working days of the annual budget being tabled in the municipal council; and
   ii. Any organ of state on receipt of a request from the organ of state.

f) After considering all budget submissions, the council must give the Executive Mayor an opportunity—
   i. to respond to the submissions; and
   ii. if necessary, to revise the budget and table amendments for consideration by the council.

g) Within consideration of the approval of the Annual Budget and thirty (30) days before the start of the budget year the Executive Mayor must table the following documents in the Council in consideration of the annual budget approval
   i. A report summarizing the local community's views on the annual budget;
   ii. Any comments on the annual budget received from National Treasury and Provincial Treasury
   iii. Any comments on the annual budget received from any organ of state, including any affected municipality; and
   iv. Any comments on the annual budget received from any other stakeholders.

h) The Municipal Manager must assist the Executive Mayor in the preparation of the documents referred to in sub-regulation (g) and 23 (2) of the Act.

4.4 Approval of the budget

(a) Council shall consider the medium term revenue and expenditure framework budget (MTREF) for approval not later than 31 May (30 days before the start of the budget year).

(b) The council resolution must contain budget policies and the performance measures to be adopted.

(c) The council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.

(d) When approving the annual budget, the council must consider and adopt separate resolutions dealing with each of the matters contemplated.

(e) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.

(f) The budget tabled to Council for approval shall include the following supporting documents:

i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
ii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
iii. the projected cash flows for the financial year by revenue sources and expenditure votes;
iv. any proposed amendments to the IDP;
v. any proposed amendments to the budget-related policies;
vi. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organizations such as non- governmental organizations, welfare institutions and so on;
vii. particulars of the municipality's investments;
viii. particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;
ix. the proposed cost to the municipality for the budget year of the salary, allowances and benefits of—
i. each political office-bearer of the municipality;
ii. councillors of the municipality; and
iii. the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;

4.5 Service Delivery and Budget Implementation Plan (SDBIP)

a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council, and within ten days (10) after the Executive Mayor has approved the Plan it has to be made public.
b) The SDBIP shall include the following components:
    i. Projections for each month of Revenue to be collected, by source, and Operational and capital expenditure, by vote;

ii. Service delivery targets and performance indicators for each quarter.
iii. Monthly projections of revenue to be collected for each source;
iv. Monthly projections of expenditure (operating and capital) and revenue for each vote;
v. Quarterly projections of service delivery targets and performance indicators for each vote;
vi. Information for expenditure and delivery; and
vii. Detailed capital works plan.

5. BUDGET PRINCIPLES

5.1 Contents of the Budget

a) The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:
   i. The budget must be in the format prescribed by the regulations;
   ii. The budget must reflect the realistically expected revenues by major source for the budget year concerned;
   iii. The expenses reflected in the budget must be divided into the votes of the various departments of the municipality;
   iv. The budget must also contain:
      1. the foregoing information for the two years immediately succeeding the financial year to which the budget relates;
      2. the actual revenues and expenses for the previous financial year , and
      3. the estimated revenues and expenses for the current year.
b) The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.
c) For the purposes of Section 17(3) (k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

5.2 Components of the Budget

a) The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:

i. the capital component, and
ii. the operating component.

b) The operating component shall duly reflect the impact of the capital component on:
i. Compensation of employees & Remuneration of Councilors
ii. Bulk Service Expenses
iii. depreciation charges;
iv. repairs and maintenance expenses;
v. interest payable on external borrowings; and
vi. other operating expenses.

c) Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to:
i. The projected cost covering all financial years until the project is operational;
ii. The future operational costs and revenue on the project, including municipal tax and tariff implications.
iii. All capital projects have an effect on future operating budgets. The following cost factors must therefore be considered before approval:-
1. Additional personnel cost to staff new facilities once operational;
2. Additional contracted services, such as security, cleaning etc.
3. Additional general expenditure, such as services cost, stationery, telephones, material etc.
4. Additional other capital requirements to operate the facility, such as vehicles, plant and equipment, furniture and office equipment etc.
5. Additional costs to maintain the assets;
6. Additional interest and redemption in the case of borrowings;
7. Additional depreciation charges;
8. Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

5.3 Capital Budget

5.3.1 Capital Replacement Reserve

a) Council shall establish a capital replacement reserve for the purpose of financing capital projects and the acquisition of capital assets.

b) Such reserve shall be established from the following sources of revenue:
   i. unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
   ii. interest on the investments of the Capital Replacement Reserve, appropriated in terms of the banking and investments policy;
   iii. further amounts appropriated as contributions in each annual or adjustments budget; and
   iv. net gains on the sale of fixed assets.

5.3.2 Financing of Capital Budget

a) The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
b) The provisions of Regulation 11 of the Municipal Budget and Reporting Regulations must be complied with in relation to the funding of capital expenditure.

5.3.3 General

a) The capital budget will be prepared in uniformity with the with the Capital Expenditure to Total Expenditure norm as set by National Treasury from time to time, currently at between 10% and 20%

5.4 Operating Budget

5.4.1 Determination of votes

In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the Chief Financial Officer shall properly and adequately reflect the organizational structure of the municipality, and further in so doing shall comply with the budget format prescribed by the Municipal Budget and Reporting Regulations. Substance format

5.4.2 Provisions

Provisions will be made in terms of GRAP principles as included / adopted in the Accounting Policy.

5.4.3 Repairs and maintenance

a) The Municipality shall adequately provide, within the budget limitations, in each annual and adjustments budget, for the maintenance of its fixed assets, in accordance with its fixed asset management and accounting policy.
b) Notwithstanding anything contained to the contrary in any other policy of the Municipality, no funds budgeted for maintenance may be used or transferred for any other purpose without the express consent of the Chief Financial Officer.
c) To ensure the health of the municipal asset base, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels as maintenance budgets are normally lower than the recommended levels.
d) As a guiding principle repair and maintenance should constitute at least between 8% and 10% of total operating expenditure and should annually be increased incrementally until the required targets are achieved.

5.4.4 Salaries and allowances

a) The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and within the budget limitations it shall be strived to comply with the NT guidelines of the aggregate operating budget component of the annual or adjustments budget.
b) As a guiding principle the salary budget should not constitute more than 35% of annual operating expenditure.

5.4.5 Indigent Relief

The cost of indigent relief must be separately reflected in the appropriate votes.

5.4.6 Allocations from other organs of state

a) Allocations from other organs of state shall be properly reflected in the annual and adjustments budget, and the estimated expenses against such allocations (other than the equitable share) must be appropriately recorded.
b) The provisions of Regulation 10 (2) of the Municipal Budget and Reporting Regulations must be complied with in regard to anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors

5.4.7 Rates as a Source of Income

In preparing its revenue budget, the Municipality shall strive to maintain realistic revenues from property rates in terms of its property rates policy.

5.4.8 Impact of Rates and Tariffs

When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area.

5.5 Other Budget Principles

5.5.1 Funding of Expenditure

a) In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:
   i. Realistically anticipated revenues to be collected;
   ii. Cash-backed accumulated funds from previous years' surpluses not committed for other purposes;
   iii. Borrowed funds, but only for capital projects.

b) Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be

included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Municipal Budget and Reporting Regulations:

v. Only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects;

vi. The conditions of the specific grant must be taken into consideration when allocated to a specific project;

vii. Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

viii. In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual
budget if the funding is guaranteed by means of:-
(a) A signed service level agreement;
(b) A contract or written confirmation; and/or
(c) Any other legally binding document.

ix. Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

c) All expenses, excluding depreciation expenses & provisions for leave that will be 20% covered, shall be cash-funded. Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17, a transfer is made from the accumulated surplus. However this is limited to the deemed fair value of assets, previously funded from grants and donations.

d) The operating budget provides funding to departments for their medium term expenditure as planned. The Municipality categorises services rendered to the community according to its revenue generating capabilities as follows:

i. Trading services (services that generate predetermined surpluses that can be used to fund other services rendered by the Municipality);

ii. Economic services (services that should at least break-even, but do not necessarily generate any surpluses to fund other services rendered by the Municipality);

iii. Rates and General (services that are funded by property rates, government grants or surpluses generated by the trading services).

e) In accordance with Section 18 of the MFMA, the operating budget can only be funded from realistically anticipated revenue. Provision for Bad Debt and Depreciation, although non-cash items, are not to be used to "balance" operating shortfalls.

f) The operating budget is funded from the following main sources of revenue:-

i. Property rates;
ii. Service charges;
iii. Government grants and subsidies;
iv. Other sundry revenue, such as fines, interest received etc; and
v. Cash backed accumulated surpluses from previous years not committed for any other purposes.

g) A positive current ratio will be considered when funding the budget.

5.5.2 Basis for budgeting

Capital projects will be prepared on zero based budgeting principles and other established recurring expenditures will also be prepared on a zero base.

6. ADJUSTMENTS BUDGET

(a) Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

(b) The chief financial officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.

(c) Council may revise its annual budget by means of an adjustments budget as regulated.

(d) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

(e) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10.

(f) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor.

(g) Only the Executive mayor shall table an adjustment budget. Adjustments budget shall be done once as part of the mid-year budget performance assessment:

(h) An adjustments budget must contain all of the following:

i. an explanation of how the adjustments affect the approved annual budget;

ii. appropriate motivations for material adjustments; and

iii. an explanation of the impact of any increased spending on the current and future annual budgets.

(i) Any unappropriated surplus from previous financial years, even if fully cash-backed, may not be used to balance any adjustments budget, but may be appropriated to the municipality's capital replacement reserve.

(j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan and or per National Treasury Regulations.

(k) Unauthorized expenses may be authorized in an adjustments budget.

6.1 Formats of adjustments Budgets

An adjustment budget and supporting documentation of a municipality must be in the format specified by National Treasury and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

6.2 Funding of the adjustments budgets

(a) An adjustments budget of a municipality must be appropriately funded.

(b) The supporting documentation to accompany an adjustments budget in terms of section 28 (5) of the Act must contain an explanation of how the adjustments budget is funded.

6.3 Timeframes for tabling of adjustments budgets

(a) An adjustments budget referred to in section 28(2)(b), (d) and (f) of the Act may be tabled in the municipal council at any time during the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

(b) Only one adjustments budget referred to in sub-regulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case sub-regulation (3) applies.

(c) If a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28(2)(b) of the Act in the municipal council to appropriate these additional revenues.

(d) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred within the period set in section 29(3) of the Act.

(e) An adjustments budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.

(f) An adjustments budget contemplated in section 28(2)(G) of the Act may only authorize unauthorized expenditure as anticipated by section 32(2)(a)(i) of the Act, and must be –

(g) dealt with as part of the adjustments budget contemplated in sub-regulation (1); and

(h) a special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127(2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a) (i) of the Act.

6.4 Submission of tabled adjustments budgets

(a) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b) (i) of the Act, within ten working days after the mayor has tabled an adjustments budget in the municipal council.

(b) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form

i. the supporting documentation referred to in section 28(5) of the Act within ten working days of the adjustments budget being tabled in the municipal council; and
ii. any other information as may be required by National Treasury.

(b) The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –

ii. any other municipality affected by that adjustments budget within ten working days of the adjustments budget being tabled in the municipal council; and
iii. any other organ of state on receipt of a request from that organ of state.

6.5 Approval of adjustments budgets

(a) A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in section (1) (a) before approving the adjustments budget.

(b) When approving the adjustment budget, a municipal council must consider and adopt separate resolutions dealing with each of the matters listed in item 4 of Schedule B in the Municipal Budget and Reporting Regulations.

6.6 Publications of approved adjustments budgets

(a) Within ten 10 working days after the municipal council has approved an adjustment budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in section 5 (a).

(b) When making public an adjustment budget and supporting documentation, the municipal Manager must make public awareness of the adjustment budget, including –

(c) Summaries of the adjustment budget and supporting documentation in alternate languages predominant in the community;

(d) Information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and

(e) Any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

6.7 Submission of approved adjustments budget and other documents

(a) The municipal Manger must comply with section 28(7) of the Act read together with section 24(3) of the Act within ten working days after the municipal council has approved and adjustments budget.

b) When submitting an adjustments budget to National Treasury and other relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to National Treasury and the relevant provincial treasury, I both printed and electronic form –

i. The supporting documentation within ten working days after the municipal council has approved the adjustments budget;

ii. The amended service delivery and budget implementation plan, within ten working days after the council has approved the amended plan in terms of the section 54(1)(c) of the Act; and

iii. Any other information as may be required by the National Treasury.

(c) The municipal manager must send copies of an adjustments budget and supporting documentation, in both electronic and printed form to –

i. Any other municipality affected by that adjustments budget within ten (10) working days of the adjustments budget being tabled in the municipal council; and

ii. Any other organ of state on receipt of a request from that organ of state.

7. BUDGET IMPLEMENTATION

7.1 Monitoring

(a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

i. funds are spent in accordance with the budget;

ii. expenses are reduced if expected revenues are less than projected; and

iii. revenues and expenses are properly monitored.

(b) The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

(c) Directors are responsible for monitoring the levels of spending against budgeted amounts within their directorates and reasons for significant overspending/underspending promptly reported to the Accounting Officer.

7.2 Reporting

7.2.1 Monthly budget statements

a) The Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Executive Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date, as required by section 71 of MFMA.

b) This reports must reflect the following:

i. actual revenues per source, compared with budgeted revenues;
ii. actual expenses per vote, compared with budgeted expenses;
iii. actual capital expenditure per vote, compared with budgeted expenses;
iv. actual borrowings, compared with the borrowings envisaged to fund the capital budget;
v. the amount of allocations received, compared with the budgeted amount;
vi. actual expenses against allocations, but excluding expenses in respect of the equitable share;
vii. explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote;
viii. the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
ix. projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

c) The report to the National Treasury must be both in electronic format and in a signed written document.

d) The reports must be placed on the municipality's website.

7.2.2 Quarterly Reports

The Executive mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality, as per section 52 of MFMA.

7.2.3 Mid-year budget and performance assessment

(a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, as per section 72 of MFMA.

(b) The Accounting officer must then submit a report on such assessment to the Executive mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.

(c) The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

7.2.4 Internal Reporting

a) The budget section must report the year to date capital and operating spending to Executive Management on a monthly basis.

b) On a quarterly basis, the departmental performances will be reported to and reviewed by Executive management to identify areas of concern and note good performance.